



Advising the Congress on Medicare issues

Review of CMS's estimate of the physician update for 2009

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Preliminary estimate of the target growth rate

Factor

Percent

2009 change in:

Input prices

2.1 %

Real GDP per capita

1.8

Fee-for-service enrollment

-0.2

Change due to law or regulation

-2.9

Target growth rate

0.7

Note: GDP (gross domestic product). Percents are converted to ratios and multiplied, not added, to produce the update.

Source: Rich 2008.

Update calculation is unlikely to change

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Medicare Economic Index	1.7%
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Update adjustment factor

- calculated with formula	-26.5
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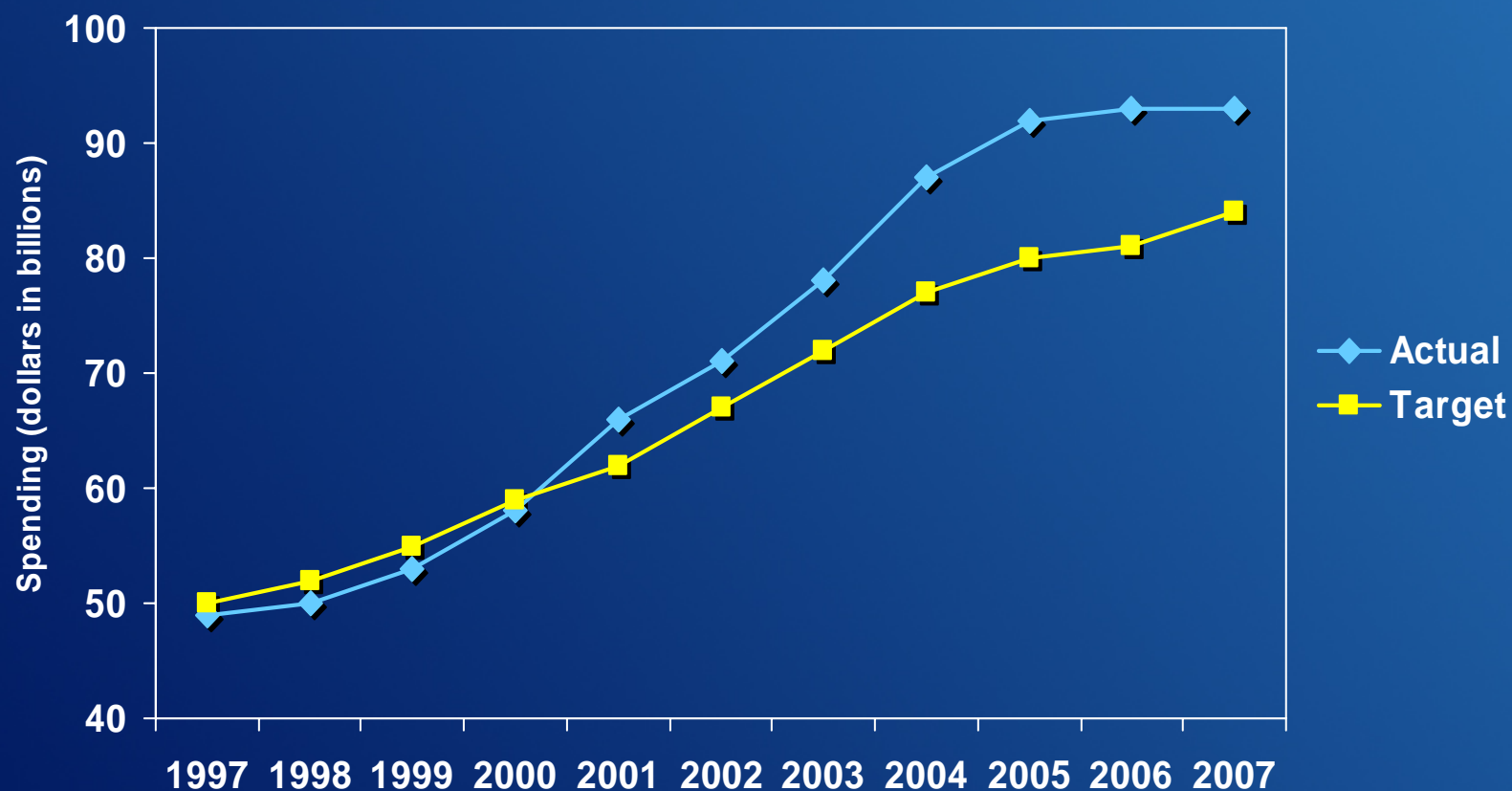
- maximum	-7.0
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Update for 2009	-5.4
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Source: Rich 2008.

Since 2001, actual spending has exceeded the SGR target

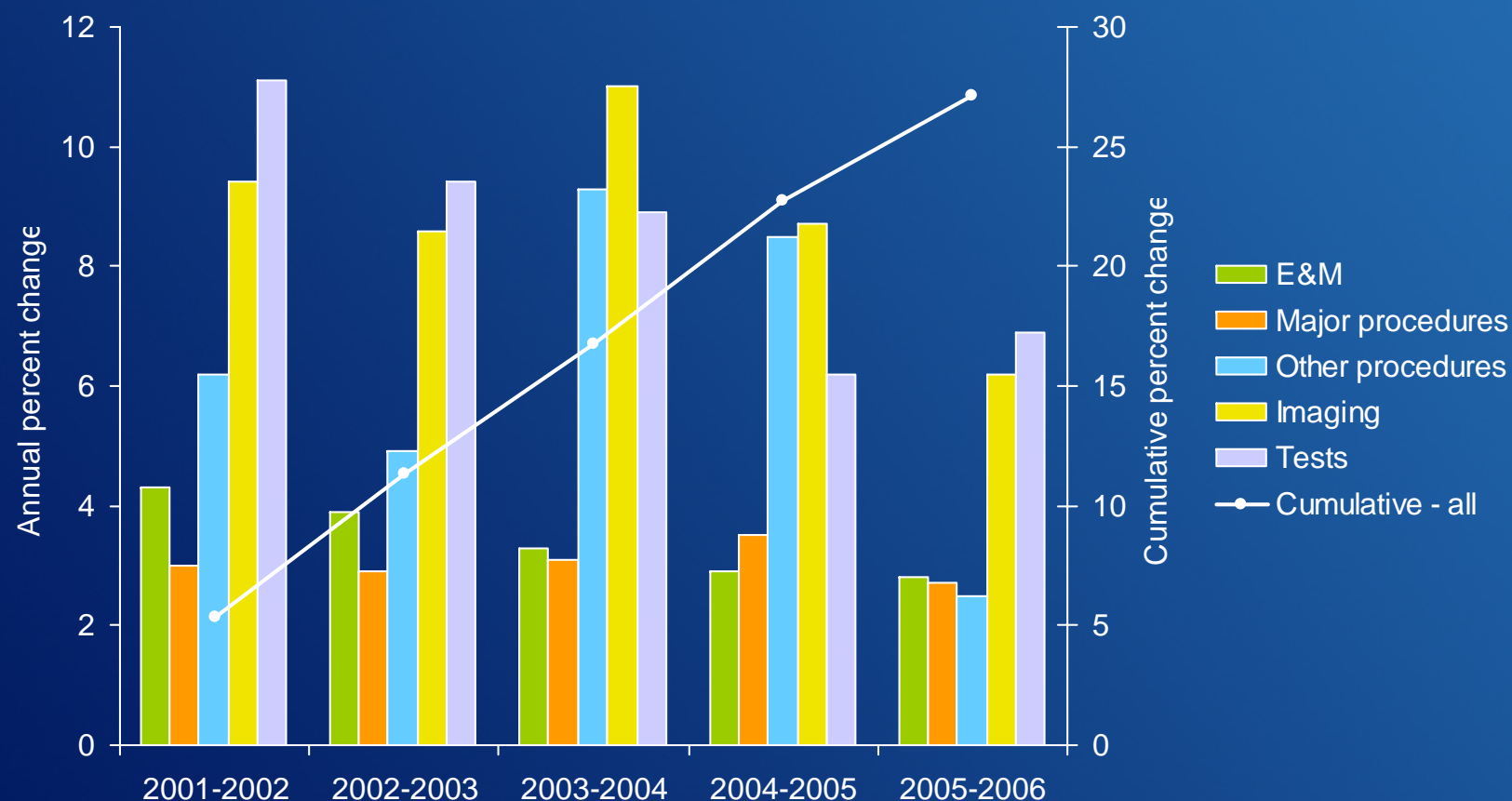


Source: Office of the Actuary 2008.

Large accumulated deficit

- Legislative overrides of the update formula
- Growth in the volume of services

Continued growth in the use of physician services per beneficiary, 2001-2006



E&M = Evaluation and management.

Source: MedPAC analysis of claims for 100 percent of Medicare beneficiaries.

MedPAC: Seeking better value for Medicare

- Price accuracy and equity
 - Accurate valuation
 - Coding and payment for imaging
 - Payment adjustment for primary care
- Service volume and quality
 - Measuring resource use
 - Pay for performance
 - Comparative effectiveness
 - Medical home
 - Bundled payments
 - Quality standards and stronger self-referral rules for imaging